





FROM THE DESK OF CAROL GALANTE

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Back to Work

On Thursday, August 15, HUD published Mortgagee Letters and a Housing Notice that are part of the Department's "Back to Work" initiatives. The "Back to Work" Initiative is a critical component of the President's call to help the Middle Class regain its footing during the economic recovery. This suite of tools will help FHA ensure access to safe and responsible mortgage credit for creditworthy borrowers who would otherwise be priced out or excluded from the market.

The Extenuating Circumstances ML is designed to help provide a second chance for responsible borrowers. It provides additional underwriting guidance for lenders in cases where borrowers can document that certain credit impairments were the result of a loss of employment or a significant loss of household income beyond the borrower's control, and recovery from the event is evident. Housing Counseling is a critical tool to ensure that these borrowers understand their obligations and can obtain a loan responsibly.

In the *Handling of Collections and Disputed Accounts ML*, FHA is clarifying policy regarding Collections, Judgments and Disputed Accounts to provide lenders with clear guidance on how to underwrite and document a borrower's credit history when determining eligibility. A forthcoming ML will provide additional guidance on Manual Underwriting procedures that will complement this clarification.

In addition, HUD published a Housing Notice that provides guidance to the Housing Counseling community on the Extenuating Circumstances ML. To read more on these, click on:

http://portal.hud.gov/hudportal/HUD?src=/program offices/administration/hudclips/letters/mortgagee

And: http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/ notices/hsg

HECM Legislation

Earlier this month, the President signed HR 2167 – "The Reverse Mortgage Stabilization Act" – giving FHA the authority to make changes more quickly in order to improve HECM program – reducing our risk and making the program easier for seniors to use responsibly. Later this month, we will be issuing a Mortgagee Letter to reflect this legislation which will limit the amount of money that can be drawn at closing, institute a financial assessment of potential borrowers, and require escrow accounts to be set aside for tax and insurance payments.

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HUD Press Releases This guidance enables FHA to better protect consumers, taxpayers and the MMI Fund by making some critical, structural changes to the HECM program.

These changes will improve the future performance of the Fund, and help preserve a program that allows seniors to remain productive, vital members of the communities they have lived in for years. FHA will continue to make changes to this program through the appropriate avenues, with the goal of ensuring that both the Fund and the families it serves are secure. Most importantly, these changes will reduce risk to the fund while making it easier for senior borrowers to make responsible financial choices.

Parallel Actuarial Reports

FHA is committed to creating robust, consistent, and transparent processes across all its programs – but this is especially important for the Mutual Mortgage Insurance (MMI) Fund as it continues to recover from the effects of the worst economic downturn since the Great Depression. In our efforts to operate as an effective 21st century mortgage insurer, we seek to embrace industry best practices and pursue the industry expertise that will enable us to do so.

While FHA continues to focus on enhancing our capacity to perform in-house technical analyses of our portfolio, we are also procuring a second independent expert to perform an actuarial analysis of the portfolio for FY 2013. Integrated Financial Engineering (IFE) Group will continue to provide the full actuarial analysis used as the basis of our Annual Report to Congress, as they have in past years. Summit Consulting, LLC and Milliman, Inc., have also been contracted to provide a second analysis, using a separate independent actuarial model.

FHA recognizes the value of having "fresh eyes" on our insurance fund – new perspectives and different analytical models will give us a more complete picture of the health of the fund and help direct future policy decisions.

We look forward to reviewing and sharing these results in our Report to Congress in the Fall.

Low Income Housing Tax Credit Pilot

The Office of Multifamily Housing Development launched the FHA Housing Tax Credit Pilot Program in February of 2012, to streamline the requirements and processing of FHA-insured loans for Low Income Housing Tax Credit projects and facilitate the preservation of affordable housing. The program uses an abbreviated review process, reduced paperwork, MAP lenders with extensive experience in underwriting projects with both FHA-Insured loans and Tax Credits, experienced designated underwriters in selected HUB offices, and additional Headquarters staffing to achieve this goal.

Since its inception the Pilot has undergone several expansions: From 4 to 9 Pilot Hub offices, and from 9 to all 50 states. The program has undergone considerable industry expansion as well, beginning with 20 Pilot MAP lenders and increased to 32 last November. Just last week, five newly approved Pilot MAP lenders were trained in DC, bringing the total

number of participating lenders to 37. As a result of all these efforts the Pilot has seen considerable success: our first deals have already closed and there are now nearly 70 projects in the pipeline that include roughly 7,000 affordable housing units. MFH plans to continue to build on the successes to date, working with the industry to facilitate access to private equity capital for affordable housing production.

Earlier in the month, the President gave his first major housing speech of the term. He spoke directly the work MFH is committed to achieving, recommitting his administration to supporting affordable rental housing and describing FHA as a rung on the ladder of opportunity. The LIHTC Pilot Program is only one of many endeavors that MFH has implemented to help create and preserve affordable housing; supporting with the priorities of the HUD and the broader Administration.

And in the Office of Healthcare Programs, the Office of Residential Care Facilities is celebrating the completion of their first tax credit project insured via the 232 Program and LEAN processing. Heritage Woods of Gurnee, located in an underserved area of Illinois, received 2010 Illinois Disaster Tax Credits to build a Supportive Living Facility that provides affordable long-term care to low-income elderly persons and persons with disabilities.

That's the latest news from HUD's Office of Housing and the Federal Housing Administration. Thank you to all of our stakeholders for your continued interest and support of FHA.

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